

## Operators Once Again Failed To Cover Cash Costs

---

Cash and economic costs for U.S. cow-calf operations in 1996 increased from 1995 levels. Producers operated under the pressures of high grain prices, large cattle supplies, bad weather conditions, and poor feedlot returns. A short grain crop in 1995/96 led to record high grain prices. While much of the Central Plains and Southwestern United States dealt with drought, the Northern States experienced unusually wet conditions. Hay supplies were tight due to supplemental drought feeding during the summer. Accumulated pasture growth for grazing in the winter largely ended in most areas by early November. Cool, wet weather resulted in disappointing wheat pasture growth, although planted acreage was up sharply and emergence was above average.

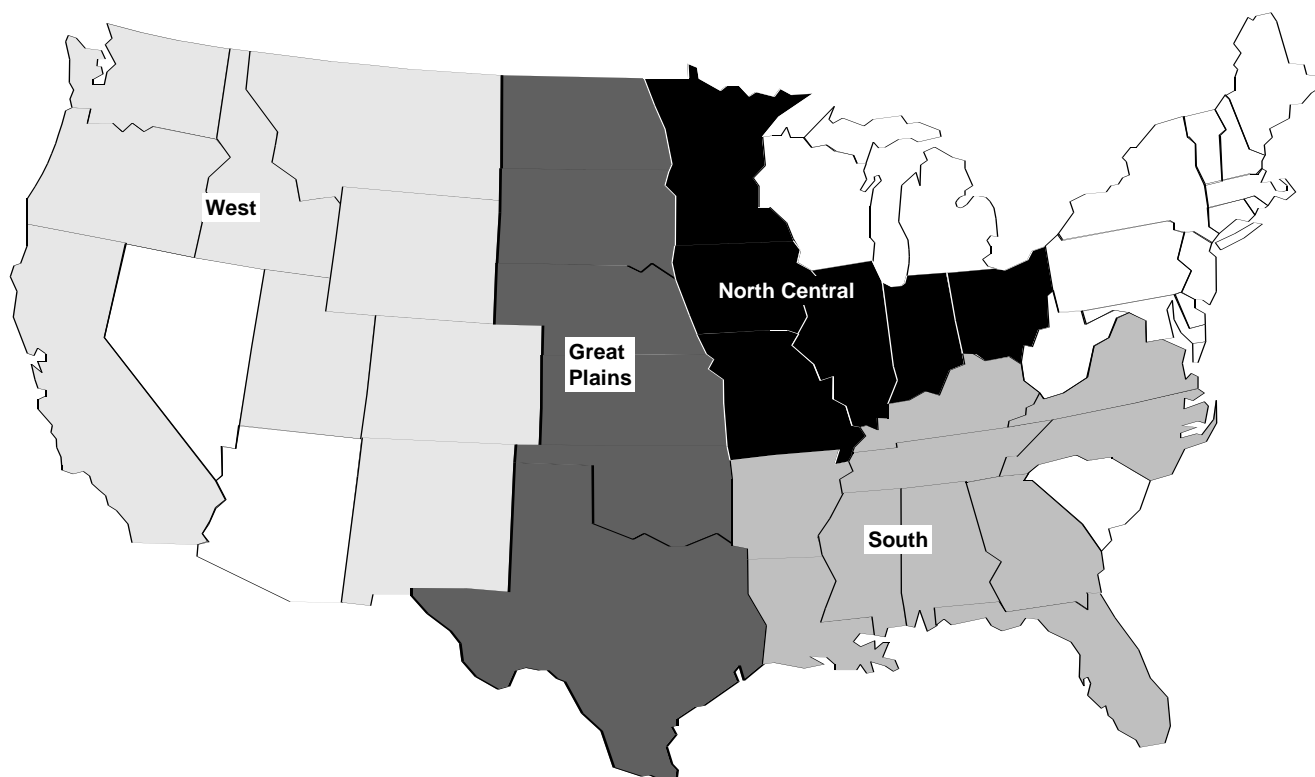
While 1996 grain prices held down feeder cattle price gains, tight forage supplies and relatively low feeder cattle prices led to continued large cow slaughter. As more beef moved through the market, cattle prices declined. The total gross value of production in 1996 fell 13 percent from the previous year.

Cow-calf operators that marketed calves in 1996 once again failed to cover cash costs. The North Central, South, Great Plains, and West regions all posted a negative average value for the gross value of production less cash expenses for 1996. Operators in the West and South regions again experienced the largest shortfalls.

Residual returns to management and risk deteriorated further in the four regions, as total economic costs increased.

Figure 8-15

**Cow-calf production regions**



Notes: Shading and patterns indicate production regions where producers were surveyed in 1990 about production practices and costs of production. Production regions are defined for each crop based on common cultural practices.

**Table 8-18A—Cow-calf production cash costs and returns, 1995-96**

| Item   | United States |         | North Central |        | South  |         | Great Plains |         | West    |         |
|--|---------------|---------|---------------|--------|--------|---------|--------------|---------|---------|---------|
|  | 1995          | 1996    | 1995          | 1996   | 1995   | 1996    | 1995         | 1996    | 1995    | 1996    |
| <i>Dollars per bred cow</i>                  |               |         |               |        |        |         |              |         |         |         |
| Gross value of production:                   |               |         |               |        |        |         |              |         |         |         |
| Steer calves                                 | 44.94         | 35.35   | 44.68         | 35.08  | 59.11  | 45.59   | 42.52        | 32.87   | 36.65   | 30.60   |
| Heifer calves                                | 37.80         | 29.56   | 26.21         | 20.34  | 58.67  | 45.07   | 34.89        | 26.79   | 29.69   | 24.77   |
| Yearling steers                              | 105.94        | 97.17   | 106.69        | 100.47 | 68.63  | 56.77   | 115.28       | 109.63  | 122.75  | 110.41  |
| Yearling heifers                             | 58.35         | 53.88   | 70.32         | 66.18  | 27.12  | 22.98   | 72.55        | 68.66   | 56.34   | 50.71   |
| Other cattle                                 | 84.89         | 71.46   | 68.92         | 59.36  | 55.30  | 45.76   | 99.76        | 81.75   | 93.34   | 82.49   |
| Total, gross value of production             | 331.92        | 287.42  | 316.82        | 281.43 | 268.83 | 216.17  | 365.00       | 319.70  | 338.77  | 298.98  |
| Cash expenses:                               |               |         |               |        |        |         |              |         |         |         |
| Feeder cattle                                | 11.67         | 10.58   | 2.20          | 2.15   | 15.34  | 12.62   | 13.85        | 13.41   | 9.15    | 7.92    |
| Feed—  |               |         |               |        |        |         |              |         |         |         |
| Grain  | 9.76          | 8.98    | 14.44         | 11.91  | 7.84   | 8.17    | 10.90        | 9.58    | 7.36    | 7.32    |
| Protein supplements                          | 24.03         | 29.21   | 20.41         | 26.48  | 18.01  | 21.96   | 30.16        | 36.70   | 20.67   | 24.36   |
| Byproducts                                   | 7.69          | 8.02    | 4.91          | 5.25   | 14.25  | 14.69   | 7.32         | 7.72    | 3.80    | 3.93    |
| Harvested forages                            | 80.87         | 86.74   | 72.35         | 76.90  | 48.56  | 51.60   | 90.18        | 98.53   | 97.64   | 102.54  |
| Pasture                                      | 73.86         | 79.22   | 34.88         | 37.45  | 44.51  | 44.24   | 74.61        | 79.70   | 116.65  | 128.54  |
| Total, feed costs                            | 196.21        | 212.17  | 146.99        | 157.99 | 133.17 | 140.66  | 213.17       | 232.23  | 246.12  | 266.69  |
| Other—                                       |               |         |               |        |        |         |              |         |         |         |
| Veterinary and medicine                      | 18.23         | 17.55   | 28.69         | 27.48  | 13.83  | 13.36   | 18.12        | 17.46   | 17.42   | 16.82   |
| Livestock hauling                            | 4.32          | 4.18    | 1.60          | 1.56   | 6.59   | 6.34    | 3.08         | 2.99    | 5.66    | 5.48    |
| Marketing                                    | 4.30          | 4.16    | 3.84          | 3.72   | 4.77   | 4.63    | 4.62         | 4.46    | 3.57    | 3.45    |
| Custom feed mixing                           | 0.22          | 0.21    | 0.04          | 0.04   | 0.14   | 0.13    | 0.30         | 0.29    | 0.23    | 0.23    |
| Fuel, lube                                   | 19.11         | 23.00   | 23.41         | 28.20  | 19.14  | 22.76   | 20.30        | 24.95   | 15.08   | 17.54   |
| Machinery and building repairs               | 31.06         | 31.83   | 40.54         | 41.54  | 30.65  | 31.60   | 33.36        | 34.18   | 23.10   | 23.63   |
| Hired labor                                  | 30.91         | 31.65   | 11.94         | 13.17  | 37.25  | 36.93   | 27.78        | 28.87   | 39.44   | 40.17   |
| Other variable cash expenses                 | 5.79          | 5.95    | 5.29          | 5.56   | 6.98   | 7.20    | 6.30         | 6.46    | 4.11    | 4.19    |
| Total, variable cash expenses                | 321.82        | 341.28  | 264.54        | 281.41 | 267.86 | 276.23  | 340.88       | 365.30  | 363.88  | 386.12  |
| General farm overhead                        | 38.56         | 36.15   | 31.64         | 29.70  | 36.40  | 34.16   | 38.41        | 35.99   | 43.94   | 41.14   |
| Taxes and insurance                          | 15.96         | 17.27   | 14.03         | 15.29  | 17.69  | 19.00   | 12.74        | 13.89   | 20.77   | 22.33   |
| Interest                                     | 34.31         | 33.99   | 35.20         | 34.86  | 19.76  | 19.53   | 28.87        | 28.65   | 55.96   | 55.27   |
| Total, fixed cash expenses                   | 88.83         | 87.41   | 80.87         | 79.85  | 73.85  | 72.69   | 80.02        | 78.53   | 120.67  | 118.74  |
| Total, cash expenses                         | 410.65        | 428.69  | 345.41        | 361.26 | 341.71 | 348.92  | 420.90       | 443.83  | 484.55  | 504.86  |
| Gross value of production less cash expenses | -78.73        | -141.27 | -28.59        | -79.83 | -72.88 | -132.75 | -55.90       | -124.13 | -145.78 | -205.88 |

**Table 8-18B—Cow-calf production economic costs and returns, 1995-96**

| Item                                    | United States |         | North Central |         | South   |         | Great Plains |         | West    |         |
|---|---------------|---------|---------------|---------|---------|---------|--------------|---------|---------|---------|
|   | 1995          | 1996    | 1995          | 1996    | 1995    | 1996    | 1995         | 1996    | 1995    | 1996    |
| <i>Dollars per bred cow</i>             |               |         |               |         |         |         |              |         |         |         |
| Gross value of production:              |               |         |               |         |         |         |              |         |         |         |
| Steer calves                            | 44.94         | 35.35   | 44.68         | 35.08   | 59.11   | 45.59   | 42.52        | 32.87   | 36.65   | 30.60   |
| Heifer calves                           | 37.80         | 29.56   | 26.21         | 20.34   | 58.67   | 45.07   | 34.89        | 26.79   | 29.69   | 24.77   |
| Yearling steers                         | 105.94        | 97.17   | 106.69        | 100.47  | 68.63   | 56.77   | 115.28       | 109.63  | 122.75  | 110.41  |
| Yearling heifers                        | 58.35         | 53.88   | 70.32         | 66.18   | 27.12   | 22.98   | 72.55        | 68.66   | 56.34   | 50.71   |
| Other cattle                            | 84.89         | 71.46   | 68.92         | 59.36   | 55.30   | 45.76   | 99.76        | 81.75   | 93.34   | 82.49   |
| Total, gross value of production        | 331.92        | 287.42  | 316.82        | 281.43  | 268.83  | 216.17  | 365.00       | 319.70  | 338.77  | 298.98  |
| Economic (full ownership) costs:        |               |         |               |         |         |         |              |         |         |         |
| Variable cash expenses                  | 321.82        | 341.28  | 264.54        | 281.41  | 267.86  | 276.23  | 340.88       | 365.30  | 363.88  | 386.12  |
| General farm overhead                   | 38.56         | 36.15   | 31.64         | 29.70   | 36.40   | 34.16   | 38.41        | 35.99   | 43.94   | 41.14   |
| Taxes and insurance                     | 15.96         | 17.27   | 14.03         | 15.29   | 17.69   | 19.00   | 12.74        | 13.89   | 20.77   | 22.33   |
| Capital replacement                     | 84.89         | 83.59   | 96.38         | 95.03   | 81.34   | 80.41   | 85.23        | 83.56   | 82.08   | 81.16   |
| Operating capital                       | 13.49         | 13.03   | 11.09         | 10.74   | 11.23   | 10.54   | 14.29        | 13.94   | 15.26   | 14.74   |
| Other nonland capital                   | 37.59         | 37.31   | 47.93         | 47.64   | 36.28   | 36.20   | 37.45        | 37.04   | 34.17   | 33.95   |
| Land                                    | 0.04          | 0.05    | 0.12          | 0.12    | 0.06    | 0.07    | 0.02         | 0.02    | 0.03    | 0.03    |
| Unpaid labor                            | 92.42         | 96.62   | 132.88        | 142.65  | 96.94   | 101.02  | 86.69        | 90.34   | 79.26   | 81.97   |
| Total, economic (full ownership) costs  | 604.77        | 625.30  | 598.61        | 622.58  | 547.80  | 557.63  | 615.71       | 640.08  | 639.39  | 661.44  |
| Residual returns to management and risk | -272.85       | -337.88 | -281.79       | -341.15 | -278.97 | -341.46 | -250.71      | -320.38 | -300.62 | -362.46 |

Source: Economic Research Service, U.S. Department of Agriculture.